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PROGRAMME PLANNING

Country and intercountry programmes and projects

FOURTH COUNTRY PROGRAMME FOR INDONESIA*

Programme period	Actual resources programmed	$
January 1991-December 1994	IPF	62 659 691
	Government cost-sharing	6 825 381
	Third party cost-sharing	4 712 335
	Total	74 197 407

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* Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) ongoing projects; (b) proposed projects; (c) distribution of resources by objective; (d) planned activities of operational funds and programmes under the authority of the Administrator; and (e) distribution of resources by sector.

I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends

1. The main feature of Indonesia's economy since the 1970s has been the dominance of its oil industry and its susceptibility to oil price and international exchange rate fluctuations. However, with the rapid introduction of strong structural adjustment measures combined with other macroeconomic policies, Indonesia has emerged from the difficult economic years of 1983-1988 with a stronger and more diversified economy better able to withstand international economic challenges. Significantly, this was achieved with a simultaneous decline in poverty levels measured in both percentage and absolute terms. The official estimate of poverty fell from 29 per cent in 1980 to 17 per cent of total population by 1987. This was assisted by a decline in population growth rates from around 2.3 per cent to 2.1 per cent over the period.

2. The country's economic development strategy has placed increasing emphasis on the private sector and non-oil exports. The latter increased at an average rate of 14 per cent between 1984 and 1989 reaching $US 14 billion by 1989, while private investment increased at an annual rate of 7 per cent reaching an accelerated growth rate of 17 per cent in 1989. Simultaneously, the current account deficit dropped from 7.8 per cent of gross national product (GNP) in 1982 to 1.9 per cent in 1989. The fiscal balance also improved, and the inflation rate fell to some 6 per cent, while gross domestic product (GDP) growth remained high at over 7 per cent in 1989 from an average of 5 per cent in the four preceding years.

3. The 1990s are expected to be a period of sustained growth for Indonesia. An annual GNP growth rate of 5 per cent is assumed by the Government for 1989-1993, with the agricultural sector growing at 3.6 per cent annually and the industrial sector at 8.5 per cent a year. Private sector investment is expected to account for more than half of the total investment over the period. This will enable the country to pursue its basic social objectives of personal and spatial equity and balanced development.

B. National development strategies

4. Consistent with its achievements of recent years, the Government has set three main objectives for national economic development: sustainable growth, equitable distribution and national stability. These objectives are reflected in the Fifth Five-Year Plan (REPELITA V) 1989-1994, which represents the final phase of the Government's first 25-year plan aimed at consolidating national economic development at a sustainable level.

5. REPELITA V calls for an increase in the country's standard of living, a balanced economy, food self-sufficiency, agricultural diversity, strengthening of basic infrastructure, industrial development and export growth. These should form a solid foundation for subsequent stages of development. Accelerated attention is also to be given to increasing the efficiency and productivity of government

services and institutions, while ensuring a conducive and stimulating climate for enterprise development and innovation through the use of strategic support investments by Government and appropriate deregulation and debureaucratization policies. Further private sector participation will be particularly encouraged in the power sector, telecommunications, transport and agricultural support services.

6. The Government sees the quality of human resources as the key to self-sustaining development. Particular importance is attached to providing productive employment opportunities for the rapidly growing work force (some 12 million new job seekers during REPELITA V between 1989 and 1993, many of whom are young and educated), while seeking to address unemployment and underemployment.

7. The emphasis on human development also focuses on the urban population, which grew at an annual rate of 5.5 per cent between 1980 and 1985 so that it now accounts for approximately 28 per cent of total population, or nearly 50 million. Significantly, poverty is declining at a slower rate in urban areas and is now around 20 per cent (urban poverty level measured as $127 per capita in 1987), as compared with 17 per cent nationally. By 1993 there may be 32 per cent, or 61 million, of the projected total population of 192 million in urban areas. The scale and growth rate of the urban population dramatically increase demands on Government at all levels to provide urban services to both households and industry.

8. REPELITA V recognizes that its targets can be achieved only by mobilizing fully all segments of society, including women, cooperatives and other community institutions, as well as the private sector in the role of contributors as well as beneficiaries of development.

9. Lastly, the Government's plan acknowledges that adequate environmental and resource management (in line with the concept of "sustainable development") is an integral part of its economic and social objectives.

10. Total development funds required for REPELITA V are estimated to be $62.2 billion of which $34.9 billion, or 56 per cent, is expected to be covered by foreign aid. External assistance will therefore remain an important source of development financing, especially for high priority development projects.

C. Technical cooperation priorities

11. The Government's technical cooperation priorities reflect the structure of its overall development programme as outlined in REPELITA V, which lists the infrastructure sector as the largest area of development expenditure at 30.1 per cent of the total, followed by agriculture at 20.8 per cent, human resource development at 27.2 per cent, regional development at 10.5 per cent, general services at 6.5 per cent, and industry and mining at 4.9 per cent. The total technical assistance requirement is estimated to be $3 billion during the fourth country programme period (1991-1994).

12. The Government's policy is that foreign funds should be made available to provide capital facilities, infrastructure, technology, and skills and services

where these are needed for development. The Government gives particular attention to the terms and conditions of foreign funds and the purposes for which they are allocated to ensure that it maintains the capacity to repay funds as required. Grant funds of the United Nations Development Programme (UNDP) are provided to respond to the country's technical assistance needs for national capacity-building in critical areas of development, by focusing on "pre-investment" activities, policy, planning, research and training.

D. Aid coordination arrangements

13. The Minister Coordinator for Economic, Financial and Industrial Affairs and for Supervision of Development, together with the National Development Planning Agency (BAPPENAS), has the overall responsibility for coordinating external assistance. BAPPENAS provides the national coordinating focal point for UNDP assistance both for the formulation of the country programme as well as the implementation of specific projects.

14. Aid coordination is supported by the Inter-Governmental Group on Indonesia (IGGI), comprising all major donor Governments and organizations and chaired by the Minister for Overseas Development of the Netherlands. It meets as an annual forum. UNDP actively participates in IGGI. The Development Cooperation Report, published annually by UNDP for IGGI, provides detailed information on development cooperation activities supported by multilateral, bilateral and non-governmental organizations.

15. UNDP also plays an active role in donor consultation meetings dealing with specific sectors and themes. The need for coordinated action by donors in planning and implementing various development programmes has been confirmed on such occasions. Consultations among donors will continue to take place on a periodic basis at project, programme, sectoral and thematic levels. Attention will be given to developing complementary linkages with programmes of the United Nations agencies.

II. THE COUNTRY PROGRAMME

A. Assessment of the current country programme

16. The third country programme, covering the period of REPELITA IV (1985-1989), was structured on a sectoral basis without any specific themes. The original programme, which contained Joint Programme Funding (JPF) by the Government of Indonesia, totalled $87,424,000. The programme was subsequently extended by one year and the total allocation amounted to $111,506,060.

17. A major reorientation of government policies took place in 1986 in response to an increase in the country's debt burden resulting from a drastic fall in oil revenues, currency fluctuations and other external factors. The new policies emphasized export growth and a freer trade regime. Major changes were made in the third country programme to respond to the Government's new concerns and evolving priorities.

18. The main revisions were the introduction of three cross-sectoral themes: (a) employment creation, income generation and entrepreneurship development; (b) increased external revenues from non-oil and gas sectors; and (c) support to basic needs. Intensive annual reviews between UNDP and the Government have ensured that the third country programme remained relevant and oriented to government priorities.

19. The programmes and projects under the third country programme were generally well implemented. However, lack of focus has characterized some projects, reducing their impact. Efforts continued to bring about qualitative improvements in the structure and focus of the programmes and individual projects. Greater attention was given to the design of projects to ensure that they were directly linked to government priorities. Marginal projects were eliminated, and others were combined for greater impact. Efforts were made to develop linkages between projects. These measures, which were assessed as appropriate and positive, will be continued in the fourth country programme.

20. Delays in project start-up were encountered during the third country programme due to the delays in the arrival of international experts. Various countermeasures, which improved the situation, included the use of short-term consultants, expansion of expert rosters and greater use of subcontracting arrangements. Increased use of national and regional resources has enhanced cost effectiveness. These modalities will be continued in the fourth country programme. Particular attention to adequate counterpart support is still required so as to maximize the effectiveness of UNDP assistance.

21. A growing number of projects were executed directly by the Government in the course of the third country programme. To build the capacity of the Government, UNDP assistance was sought to enable the Government to manage, monitor, evaluate and audit the technical assistance activities for which it was responsible, and to report in conformity with UNDP requirements. The national execution modality is expected to expand in the fourth country programme, and UNDP will continue to assist the Government to strengthen its capacity in this regard.

B. New programme proposal

1. Formulation

22. To ensure that UNDP's resources are effectively utilized, an intensive consultation process between the Government and UNDP was mounted to identify the major areas of concentration for UNDP technical assistance.

23. Sectoral review missions were fielded by the United Nations agencies, which reviewed government priorities in each of the sectors and the comparative advantages of UNDP technical assistance in addressing these priorities. The recommendations of the sector missions were then considered by high-level interministerial meetings participated in by high-level government officials from sectoral ministries and representatives of multilateral and bilateral donors. These were followed by consultations between BAPPENAS and UNDP which resulted in

the selection of objectives for the fourth country programme as well as the strategies and programmes to achieve each objective.

24. In formulating the fourth country programme, the Government has been conscious of the comparative advantages of UNDP in the overall context of domestic and external resources available to meet its development needs. UNDP's comparative advantages include its impartiality, its catalytic role in mobilizing technical and capital assistance from various sources, its readiness to undertake innovative pilot activities, as well as its global access to expertise, technology and experience from a wide range of sources, including other developing countries.

25. A large number of projects being implemented in the third country programme will continue into the fourth programme. These projects conform to the priority development objectives of the fourth programme and therefore form an integral part of the new country programme.

2. Development objectives

26. Based on the objectives and strategies of REPELITA V, the fourth country programme is structured around key development objectives, in keeping with the programme approach recommended by the Governing Council of UNDP and the General Assembly. Building on activities initiated in the third country programme, the fourth programme concentrates on five development objectives which are consistent with the priority areas as based on Governing Council decision 90/34 of 23 June 1990:

(a) Poverty alleviation, including programmes to expand employment and promote the income potential of rural and urban communities, to facilitate access to basic services and to ameliorate the conditions of the poorest segments of the population;

(b) Strengthening the economic base of the nation, through further economic diversification into the non-oil and gas sectors, as well as the integration of economic activities between and within sectors, especially in agriculture, industry and tourism;

(c) Socio-economic and physical infrastructure development, encompassing all institutional systems and human and physical resource needs of all sectors;

(d) Environmental protection and management of natural resources within the overall framework of sustainable development;

(e) Managing development, including improvement of the operational efficiency of the public sector and increased participation of private sector and local communities at the national, regional and local levels in the context of decentralization and deregulation.

27. Poverty alleviation represents the Government's broad strategy to raise the country's standard of living and maintain the nation's stability through a more

equitable distribution of the benefits of economic growth. The Government's strategy in pursuance of this objective will be twofold:

(a) To increase the participation of the unemployed and underemployed in economic activities either through paid employment in the formal sector or through other forms of income-generating activities in the informal sector;

(b) To ensure physical and financial access of the weaker and more vulnerable sections of the population to efficient and appropriate basic services, principally in the areas of health and nutrition, population control, education and training, water supply and sanitation and housing.

In implementing both of these strategies, particular attention will be paid to the full participation of women.

28. The Government's strategy to strengthen the economic base of the nation is aimed at increasing national income, which will require technology development and greater integration of economic activities between and within sectors. The Government will continue to pursue a policy of an open, market-oriented economy (both domestic and foreign) in the trade, industry, banking and tourism sectors. This will require greater attention to international linkages and to the pursuit of international standards at all levels of economic activities.

29. Socio-economic and physical infrastructure development is critical in Indonesia given its size, the dispersed nature of its land and the diversity of its people. As infrastructure is fundamental to all economic and social activities, it receives particular attention from Government, and the fourth country programme is expected to assist in the planning and implementation of infrastructure development as well as the provision and transfer of skills and technology to facilitate such development.

30. Environmental protection and management of natural resources is a key development strategy for Indonesia, given its large resource base and the dependence of both its economy and its population on these resources to provide improved living standards. Growth will require the utilization of both land and marine-based resources, especially in relatively underdeveloped regions. However, the Government is cognizant of the need to increase the productivity of its natural resource base to ensure the long-term viability of these assets. Emphasis is being given to resource planning and utilization and to environmental control and protection at all levels.

31. The management of development has come to the forefront of the Government's development efforts in recent years, with its economic policies emphasizing an increased role for the private sector in productive activities and the need to control government expenditure consistent with available revenues. The fourth country programme will assist the Government in reorienting the public sector towards greater efficiency and productivity, and in implementing macroeconomic and sectoral policies to stimulate private sector activities. At the same time, the Government aims to enhance people's participation in the planning and implementation of development activities, as well as to increase linkages between community groups, the private sector and the non-government sector.

32. In meeting these objectives, the Government will give special consideration to human resources development and regional distribution, as strategies to ensure that economic development and income distribution can be achieved in a balanced and realistic way. Human resources development is the key to attaining the objectives of the fourth country programme, as it concerns not only the formation of human capabilities in carrying out productive functions, but also the use of these capabilities in enlarging people's options for a long and healthy life, education and a decent standard of living, and their capacity to participate effectively in the development process. This is fully in line with UNDP's emphasis on the promotion of human development. Priority is therefore to be given to expanding basic needs services and employment aimed at alleviating poverty and improving the quality of life, and to education and training at all levels. The full participation of women in the implementation of development activities will be encouraged, both as beneficiaries and contributors, as will that of the private sector, local communities, cooperatives and non-governmental organizations. The Government will also give priority to overcoming regional and spatial disparities, especially in the eastern regions of the country and between rural and urban areas.

3. Programmes

33. The Government endorses the programme approach in implementing the fourth country programme, and has identified 11 major multisectoral programmes through which it plans to achieve the five primary objectives adopted for the programme. These programmes were identified during the collaborative consultation process with UNDP and represent a synthesis of those sectoral programmes from REPELITA V in which UNDP's assistance has a comparative advantage. By virtue of the fact that these 11 programmes are multisectoral, all of them relate to more than one development objective of the fourth programme.

34. Based on these comparative advantages, the Government has also defined the types of activities to be included under each multisectoral programme as follows: (a) development of programme strategies; (b) policy studies; (c) pre-investment activities; (d) pilot demonstration activities; and (e) capacity- and institution-building.

35. The 11 programmes are described below in terms of the problems and issues that will be addressed through UNDP technical assistance.

36. Basic needs. Indonesia's approach to basic needs covers food, clothing, access to housing, education, family planning and health services. The Government aims to improve, and not just maintain, the provision of basic health, educational and welfare needs of the population. This objective will require a substantial effort, given that the population is expected to grow by 17.7 million over the period of REPELITA V, i.e., at 1.9 per cent per annum. Ensuring access to basic services will require assistance to be delivered to the local level through integrated economic and social programmes, in which people's participation is emphasized. Special attention under the fourth country programme is to be given to children from low-income families and to people living in remote areas, and to improving the planning and delivery of urban services to meet the needs of people

and industry in expanding urban areas. As such, human development will be a main feature of this programme.

37. Employment creation. During REPELITA V, an estimated 12 million new jobs will need to be created to employ all new labour force entrants expected to come out of secondary and tertiary education facilities over the plan period. New job seekers are better educated than in the past and have higher expectations of working in skilled or professional occupations. It is therefore imperative that the Government promote employment opportunities in the expanding industrial and service sectors. Assistance under the fourth country programme will support the Government in the analysis, planning and implementation of employment creation strategies, as well as in the development of skills training programmes.

38. Promotion of income potentials. In addition to employment in the formal sector, REPELITA V also recognizes that the informal sector provides an important source of economic opportunities, especially for women, the rural population and lower income groups. The Government aims to encourage the growth of the informal sector as the means by which such groups can generate additional family income, as well as gain business experience and skills as part of community-based support networks. Various ministries provide training, credit and technical assistance in income generation as part of their broader extension programmes. As such, income generation strategies are complementary to other strategies being pursued by these ministries - e.g., poverty alleviation, literacy and family planning. UNDP assistance under the fourth country programme will continue to play an important role in testing and evaluating income generation strategies, as part of the Government's national endeavour to improve individual and community well-being, thereby achieving human development.

39. Promotion of entrepreneurship and skills development. Small-scale entrepreneurship is seen as another tier in the Government's employment strategy, with the target group being existing operators in the informal sector or possible new young entrepreneurs. Business training and credit packages are to be further developed and made more accessible to the target groups. However, it is recognized that successful business promotion is often best done by the business sector itself, and the Government intends to encourage linkages between established businesses and new entrepreneurs. These linkages will provide important information and skills in marketing, technology application and business planning. The fourth country programme will complement the Government's approach to employment creation and business development, especially in developing innovative programmes involving the private sector.

40. Promotion of non-oil exports. This is a major programme under REPELITA V and forms the basis of all economic sectoral strategies during the plan period. Non-oil exports are to grow by 15.5 per cent annually during REPELITA V and are expected to have a significant multiplier effect, particularly in promoting the equitable development of the different regions. The promotion of non-oil exports is dependent on the creation of a freer national trade regime, together with favourable domestic and foreign investment, appropriate technology, and competitive production costs and product quality standards. The fourth country programme will make important contributions to this strategy, especially at a policy level, which will be supported by UNDP global and regional programmes.

41. Technology development. Strengthening national capacity to adopt and adapt appropriate technologies is a crucial issue in the successful achievement of the Government's economic diversification strategies. The Government must ensure that foreign investors provide access to and training in the technologies being applied in their industry. More importantly, the Government must encourage a research and development mentality, as well as establish and strengthen the necessary support systems to facilitate technological transfer as well as research and development activities. UNDP, with its specialized experience in this field, will provide important technical assistance to the Government in promoting technological development in association with the Government's economic strategy.

42. Infrastructure development. This programme includes both physical and socio-economic infrastructure. The Government's primary concerns in the physical area are transportation and communication, but also public utilities such as rural water supply, urban services, energy and meteorology. The policy of the Government is to maintain policy and regulatory control over physical infrastructure, while promoting private sector ownership and management. One way of achieving this is through joint ventures. UNDP assistance during the fourth country programme will primarily be utilized for training in the technologies of these infrastructure subsectors, as well as in policy formulation and planning of infrastructure developments. On the socio-economic side, the aim of the Government is to promote community participation in the planning and implementation of locally based rural and urban services such as health, family planning, welfare and social services, which all contribute to human development.

43. Environmental enhancement and natural resources management. The Government's policy concerns in this area include the need to maintain an appropriate balance between population growth and environmental protection, managing natural resources at productive levels, controlling pollution and minimizing the negative impact of development on the environment, and developing a model of sustainable economic growth. These objectives necessitate the adoption of sustainable growth strategies and environmentally friendly technologies in all sectors, as well as the establishment of environmental monitoring and protection agencies backed up by enforceable legislation. UNDP has been supporting the Government in these various areas under the previous country programme, and further assistance is anticipated under the fourth programme. Special attention will be given to increasing the productive use of available resources through improved planning and, where necessary, through applied research.

44. Public sector efficiency. In order to achieve its strategy of economic diversification through private sector investment in a freer and competitive trade environment, the Government has recognized the need to improve the efficiency and productivity of its services, as well as the need to decentralize and debureaucratize government functions. The Government is therefore currently undergoing a major administrative restructuring which should result in a more responsive public sector. Under the fourth country programme, UNDP will play a key role in assisting the Government to review its operations, to establish and train staff in new administrative systems as well as to devise models for decentralization.

45. Social and community participation. The success of the above strategies will depend on the active participation of society-community and business. The Government therefore pays particular attention to developing appropriate consultative mechanisms by which this participation can be activated. Non-governmental organizations and business groups are encouraged, and formal community-based structures have been established at the village and local level to ensure that people at all levels have an effective say in the development of their area. In addition to incorporating community participation in all UNDP-funded programmes, UNDP assistance will also be used to design, implement and evaluate innovative participatory models across all sectors and programmes.

46. Regional development. Indonesia is emphasizing regional planning in order to address issues of spatial disparities. This necessarily requires a realignment in the institutional structure of planning as well as in the implementation of government functions and services. In terms of managing development, regionalization implies more autonomy and self-government at the local level, as well as decentralization and debureaucratization of the central Government's financial and administrative functions. An important benefit of regionalization is the improved capacity for cross-sectoral planning between different government ministries focusing on specific geographic problems and characteristics. Special assistance will be provided under the fourth country programme for the further development of regional planning models, specifically for eastern Indonesia and the poorer regions. UNDP will also ensure that its other sectorally oriented projects incorporate regional planning and coordination approaches that are consistent with the planning models being developed under the specialized regional planning projects.

4. Modalities for implementation

47. Underlying the entire fourth country programme is the premise that UNDP support is intended to enhance Indonesia's national capability to manage its own development. The Government is prepared to consider the national execution modality for new projects based on the understanding that UNDP will assist it in strengthening its capacity to manage, monitor, evaluate and audit the technical assistance activities. United Nations agencies may remain involved, under appropriate arrangements, in aspects of programme implementation where their cooperation is desirable in various project components or in various stages of the project cycle (project planning and formulation or monitoring and evaluation).

48. Greater use will be made of national resources in programme implementation through national experts, national subcontractors and equipment. Other cost-effective modalities, such as the use of the United Nations Volunteers programme, will also be pursued to obtain necessary expertise.

49. While the responsibility for coordinating technical assistance from all sources rests with the Government, UNDP will continue its support to the Government in this endeavour. Besides preparing the Development Cooperation Report, UNDP will play a more active role in sectoral and thematic coordination, especially in those areas where it possesses a comparative advantage vis-à-vis other donors.

50. Various possibilities for co-financing programmes or projects with other donors will be explored. The Government and UNDP will look into such possibilities by approaching various donors to co-finance different components of programmes and projects. Donor consultation meetings at the thematic, sectoral, programme and project levels will be used to explore such possibilities. Potential donors for co-financing will participate in the UNDP project formulation process. UNDP may be requested to support an assessment of possibilities for co-financing and other cooperating arrangements among programmes and projects supported by external donors.

51. In line with the programme approach, great importance will be placed on developing linkages between projects so as to make the fourth country programme more internally consistent and coherent. This should include complementary projects financed by other donors. Linkages already exist between a substantial number of UNDP-supported projects and those of other donors, and concerted efforts will be made in the programme to further develop these. As such, the fourth programme would have a strategic value as a frame of reference for other technical assistance programmes. This approach will also enable monitoring and evaluation to be conducted from a programmatic or thematic perspective, for which UNDP will be prepared to provide expertise.

52. By adopting the programme approach, the fourth country programme will strive to include a smaller number of larger projects. This should serve to increase the impact of UNDP assistance at the programme level. This will also reduce the administrative tasks of both the Government and UNDP. More attention could therefore be devoted to the substantive aspects of the country programme.

53. As part of the programme approach, the Government and UNDP will make all efforts to maximize the complementarity of programmes being implemented by agencies of the United Nations system. Many of these agencies give special attention to human development, women and environment, and therefore the potential for joint programming and development of linkages between the programmes should be promising.

54. Linkages already exist between Indonesia's country programme and the regional, interregional and global programmes supported by UNDP. With regard to potential linkages, the fifth UNDP intercountry programme for Asia and the Pacific, 1992-1996 is at present being prepared. It is expected that the intercountry programme will have three priority themes: human development, economic reform and environment and natural resource management. The Association of South-East Asian Nations (ASEAN) subcomponent of the intercountry programme will focus especially on human development and sustainable economic reform. As these main thrusts of the intercountry programme and the ASEAN subcomponent correspond to the main focus of the fourth country programme, prospects for direct complementarity and the development of substantive linkages should be promising. Indonesia will continue to play an important role in the design and implementation of the ASEAN subcomponent as the host country of the ASEAN secretariat.

55. The Government sees Technical Cooperation among Developing Countries (TCDC) efforts under the fourth country programme as a way of promoting joint efforts in solving problems common to countries with similar conditions and challenges.

56. To complement and reinforce the objectives of the fourth country programme, Indonesia expects to make use of the Special Programme Resources (SPR) in accordance with Governing Council decision 91/3 of 22 February 1991.

5. Time-frame

57. The fourth country programme has been prepared based on REPELITA V, which covers the period from April 1989 to March 1994. The period of the programme therefore largely coincides with the REPELITA V time-frame.

C. Unprogrammed reserve

58. Given the evolving socio-economic situation of the country as well as consequent adjustments in technical assistance requirements, 5 per cent of fourth country programme resources is kept as an unprogrammed reserve to meet emerging needs which may fall outside the five identified objectives of the programme.

Annex

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING			
A. UNDP-administered sources	$	$	$
Fourth cycle IPF (1987-1991)	65 686 938 a/		
Less: IPF expenditures 1987-1989	(38 791 647)		
Less: IPF expenditure target 1990	(13 066 000)		
Fifth cycle provisional IPF (1992-1994)	48 830 400		
Subtotal, IPF		62 659 691	62 659 691
Special Measures Fund for the Least Developed Countries		0	
Special Programme Resources		0	
Government project cost-sharing		6 825 381	
Third-party project cost-sharing		4 712 335	
Operational funds under the authority of the Administrator		0	
UNDP special trust funds		0	
Subtotal, UNDP non-IPF funds			11 537 716
B. Other sources			
Funds from other United Nations agencies		0	
Parallel financing from non-United Nations sources		0	
Subtotal, other sources			0
TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING			74 197 407
II. USE OF RESOURCES			
Ongoing projects		29 889 093	
New project proposals		24 504 460	
Allocation by objectives		16 030 000	
Subtotal, programmed resources			70 423 553
Unprogrammed reserve			3 773 854
TOTAL USE OF RESOURCES			74 197 407

a/ Includes balance from third cycle IPF.

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PROGRAMME PLANNING

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FOURTH COUNTRY PROGRAMME FOR INDONESIA

Note by the Administrator

I. THE PROGRAMMING PROCESS

1. Extensive consultations between the Government of Indonesia and the United Nations Development Programme (UNDP) preceded the preparation of the fourth country programme for the period 1991-1994 (DP/CP/INS/4). Sectoral review missions were also fielded during 1988-1990 by the United Nations agencies, which looked into Government priorities and recommended areas of UNDP technical assistance, bearing in mind its comparative advantages. These recommendations were considered by inter-ministerial meetings participated in by high-level Government officials from sectoral ministries and representatives of multilateral and bilateral donors.

2. Results of annual reviews, the mid-term review and the assessment of the third country programme also provided valuable inputs in the formulation of the fourth programme. This experience highlighted the need to improve qualitatively the structure, design and focus of programmes and projects, further develop linkages between projects within and across sectors, ensure adequate counterpart support, expand the use of national execution, and increase the use of national and regional resources in the form of short-term experts and subcontracting arrangements. All relevant findings and recommendations were reflected in the UNDP Advisory Note transmitted by the Resident Representative to the Government of Indonesia in June 1990.

3. The objectives, strategies and priorities of the fourth country programme were determined by the Government taking into account the main contents of the Advisory

Note. The period of the programme was also made to coincide with Indonesia's Fifth Five-Year Plan (REPELITA V) time-frame, which covers the period April 1989 to March 1994.

II. THE FOURTH COUNTRY PROGRAMME

4. Since the first country programme started in 1972 in Indonesia, the UNDP programme has evolved to meet the changing needs for technical assistance. The initial programme focused on agriculture, civil aviation, tourism and development of eastern Indonesia. As the country enjoyed a period of high revenue and sustained economic growth in the late 1970s, the second country programme emphasized human resources development and institution-building. Poverty alleviation was also pursued by UNDP to support the Government's policy towards more equitable sharing of development benefits.

5. The third country programme retained the overall direction of the second programme with human resources development being the primary focus. However, in 1985-1986, soon after the start of the third programme, Indonesia's economic circumstances changed significantly as a result of the collapse of oil and gas prices and the sharp decline of other export commodity prices. The Government's response was, however, quick and decisive: it effectively implemented a far-reaching programme of economic reform and structural adjustment.

6. The reorientation of the Government's policy resulted in a revision of the third country programme in 1986 to shift its focus to export-oriented, non-oil and gas production activities while supporting basic needs. That programme remained relevant to the Government's priorities and promoted revenue generation, employment creation and entrepreneur development, as well as human development, notably in the health and education sectors.

7. The fourth country programme seeks to build on the progress made in the third programme. Specifically, the five primary objectives established for the fourth programme are: poverty alleviation; strengthening the economic base of the nation; socio-economic and physical infrastructure development; environmental protection and management of natural resources; and management development. These objectives have been drawn up to support REPELITA V, which emphasizes high and sustained growth combined with deliberate efforts to overcome income and regional disparities and ensure greater access of the weaker sections of the society to employment, health, education, housing and other basic services. To achieve these five objectives, the Government has identified 11 multi-sectoral programmes which correspond to the priorities of the sectoral programmes in REPELITA V and where UNDP has distinct comparative advantages.

8. Poverty alleviation is a major concern of the fourth country programme. It is central to the improvement of the country's standard of living and the maintenance of the nation's stability through a more equitable distribution of the benefits of economic growth. It is also the dominant objective for human development in Indonesia. Four of the 11 multi-sectoral programmes identified for the fourth country programme focus squarely on reduction of poverty and improving the quality

of life. These are: technical support in the provision of basic needs; employment creation; promotion of income potential; and entrepreneurship and skills development.

9. Closely related to poverty alleviation is the strengthening of the nation's economic base. This can be accomplished by building a more solid economic foundation through improved technology, economic diversification and mutually reinforcing intersectoral activities. At a time when the country is undergoing structural transformation from inward to outward orientation, assistance in the trade, industry, banking and tourism sectors under the fourth country programme will be of crucial catalytic value. The two programme areas relevant to this objective focus on promotion of non-oil exports and technology development.

10. Indonesia is among a number of developing countries at the forefront in addressing environmental issues. The need for environmental management and protection is increasingly becoming an integral part of the development process. This is reflected in the fourth country programme, particularly with respect to programmes dealing with environmental monitoring and protection and the utilization of pro-active environment-sensitive technologies in pursuing sustainable growth strategies.

11. Infrastructural development is another key area for Indonesia because of its size, dispersed land and population diversity. The fourth country programme will assist in the planning and implementation of infrastructure development as well as in the provision and transfer of skills and technology to facilitate such development.

12. Finally, in the context of management of development, the fourth country programme will play a major role in reorienting the public sector towards greater efficiency and productivity, in implementing macro-economic and sectoral policies to stimulate private sector activities, and in enhancing people's participation in the planning and implementation of development activities. Three of the programmes under the fourth country programme focus on this development objective: public sector efficiency, social and community participation and regional development. Social and community development programmes will promote the active participation of all segments of the population, including the private sector, local communities, non-governmental organizations and co-operatives, in the development process. Regional development addresses issues of spatial disparities, especially in the eastern regions of the country and between rural/urban areas.

13. It is clear that the fourth country programme is consistent with the programme areas advocated by the Governing Council in decision 90/34 of 23 June 1990. Taking into account the comparative strengths of UNDP, the Government has defined the type of activities to be supported in the fourth programme as follows: (a) development of programme strategies; (b) policy studies; (c) pre-investment activities; (d) pilot and demonstration activities; and (e) capacity/institution-building. During the implementation of the programme, the full involvement of women as experts, participants and beneficiaries will be actively promoted. The programme will consist of a smaller number of programme-oriented, large-scale projects which should serve to increase the impact of the programme.

III. MANAGEMENT OF COUNTRY PROGRAMME IMPLEMENTATION

14. The fourth country programme will be subject to intensive reviews annually and at mid-point in order to reassess the priorities of the programme as a whole and of its constituent projects in relation to the prevailing economic situation. Any necessary adjustments will be introduced to reflect the evolving priorities and needs of the Government.

15. The programme is also premised on the assumption that UNDP support is intended to enhance Indonesia's national capability to manage its own development. The use of the national execution modality will therefore be increased. At the same time UNDP will also strengthen the Government's capacity to manage, monitor, evaluate and audit the technical assistance activities. United Nations agencies will continue to be involved, under appropriate arrangements, in aspects of programme implementation or in different stages of the project cycle. Increased use will be made of national resources in programme implementation through national experts, national subcontracts and equipment.

16. In availing itself of UNDP assistance, the Government commits itself, to the extent appropriate, to pursuing the programme approach and to making the fourth country programme a more integral part of Indonesia's development process. Efforts will be made to build conceptual and operational linkages between projects. This will make the programme more internally consistent and coherent and will give the country programme greater focus. Increased use will be made of the United Nations Volunteers programme, and opportunities for Technical Co-operation among Developing Countries will be explored in all programme designs. All these features are consistent with the relevant Governing Council decisions and General Assembly resolutions.

IV. RECOMMENDATION OF THE ADMINISTRATOR

17. The fourth country programme addresses the most critical development issues facing Indonesia. Its objectives are in line with the Government's development plan and consistent with the priorities recommended by the Governing Council. The types of activities to be pursued fall within UNDP's comparative advantages and are designed to produce long-lasting impacts on the country's development process.

18. The Administrator therefore recommends that the Governing Council approve the fourth country programme for Indonesia.